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Abstract

“Political” corporate social responsibility (CSR) involves businesses taking a political role to address “regulatory gaps” caused by weak or insufficient social and environmental standards and norms. The literature on political CSR focuses mostly on how large multinational corporations (MNCs) can address environmental and social problems that arise globally along their supply chains. This article addresses political CSR of small- and medium-sized enterprises (SMEs). SMEs represent a major share of economic value creation worldwide and are increasingly exposed to regulatory gaps. Although SMEs differ substantially from MNCs in terms of organizational characteristics, behavioral guiding principles, and financial and human resources, they should still tackle such regulatory gaps by accepting a political role. Drawing on Zadek’s model of CSR-based organizational learning and Young’s concept of social connection, this study develops a conceptual framework as the basis for discussing *why* SMEs should become involved in political CSR, *how*

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they can manage political CSR internally and systematically, and how their progress can be assessed by third-party observers *externally*.

Keywords

conceptual framework, multinational corporations (MNCs), political corporate social responsibility (CSR), small- and medium-sized enterprises (SMEs), social connection

Companies of all sizes increasingly operate in contexts where, due to governmental unwillingness or inability, there is a partial or complete lack of regulatory and enforcement mechanisms for fostering socially and environmentally responsible business conduct (Scherer, Palazzo, & Baumann, 2006). As a result, various environmental and social problems, such as deforestation, access to water, child labor, and exploitation of workers, have emerged in globalized markets and supply chains (Scherer & Palazzo, 2011). These “regulatory gaps” have led civil society actors to urge private enterprises to assume quasi-governmental, “political” roles in collaboration with non-governmental organizations (NGOs) or other external parties (Valente & Crane, 2010). The concept of *political* corporate social responsibility (CSR) promoted by civil society actors (Matten & Crane, 2005; Scherer & Palazzo, 2007) extends beyond conventional notions of CSR based on the traditional economic role of corporations and the expectation that these corporations operate within the “rules of the game” (Carroll, 1999). Valente and Crane (2010) argued that private business firms that exhibit political CSR “supplement” inadequate public services, such as health care, in zones of their own operations and in those zones of their suppliers. Private firms may also “substitute” for missing government services—for example, by policing labor practices. In a nutshell, political CSR refers to activities that “go beyond traditional philanthropy or corporate social responsibility (CSR) programs in that they place firms in quasi-governmental roles where major decisions about public welfare and social provision have to be made” (Valente & Crane, 2010, p. 52).

Researchers have only recently begun to discuss how firms can actually manage and assess political CSR. Most existing studies focus on large multinational corporations (MNCs; Baumann-Pauly & Scherer, 2012; Muthuri, Moon, & Idemudia, 2012). Little attention has been given to the political roles that small- and medium-sized enterprises (SMEs) can play (Cook & Fox, 2000). In the context of this study, SMEs are firms with fewer than 250 employees (European Commission, 2003a) headquartered in Western

countries and whose primary purpose is to run a profitable business, with size rather than ownership as the main criterion for distinction. Notably, these “conventional” SMEs are distinct from “social enterprises,” whose primary mission usually is to address a particular societal problem, rather than just “run a business” (Dacin, Dacin, & Matear, 2010). The SME sector contributes more than 50% of economic value creation worldwide (Wymenga, Spanikova, Derbyshire, & Barker, 2011), and increasingly SMEs are part of global supply chains and can also be exposed to regulatory gaps (Danish Federation of SMEs, 2009; Pedersen, 2009). Overlooking their potential capabilities would leave a considerable blind spot in the debate on political CSR. Much of the relevant literature focuses on the more visible MNCs and their largely instrumental motives for engaging in political CSR (Valente & Crane, 2010). For instance, MNCs may attempt to construct a business case for political CSR (Zadek, 2004) or to protect their reputation against the criticisms of NGOs (Baumann-Pauly & Scherer, 2012; Scherer et al., 2006), such as the accusations that Greenpeace (2010) leveled against Nestlé’s alleged irresponsible sourcing of palm oil in Malaysia in 2010. Compared with MNCs, SMEs arguably have fewer reasons to approach political CSR strategically (von Weltzien Hoivik & Melé, 2009). For one thing, they typically face less public scrutiny and stakeholder attention and may therefore find it harder to construct a business case for political CSR. Furthermore, because ethical motives usually carry more weight in small, owner-managed firms (Burton & Goldsby, 2009; Lepoutre & Heene, 2006; Spence, 2004) than in larger firms, SMEs are more likely to take on a political role for ethical reasons.

In addition to these differences, because of the “large-firm bias” in the current debate on CSR, the one-size-fits-all, or rather large-size-fits-all, approach overshadows the idea of tailoring the discussion on how companies can translate political CSR into concrete organizational practices and procedures to the size and characteristics of SMEs. More precisely, the specific informal organizational characteristics and implicit behavioral guiding principles of SMEs are not sufficiently acknowledged (Jenkins, 2006) in that debate. However, taking these characteristics into account is important if SMEs are to manage and assess political CSR effectively, because the formal tools—such as codes of conduct, policy documents, or standardized reporting schemes—that are common in MNCs reflect neither the underlying ethical motivation nor the organizational capabilities of SMEs and are therefore unsuitable for this type of company (Baumann-Pauly & Scherer, 2012). Moreover, applying such measures to SMEs might even discourage them from engaging in political CSR, given that most SMEs are characterized by an informal and “hands-on” organizational mentality (Lepoutre & Heene, 2006; Spence, 2007).

In view of these differences, the involvement of SMEs in political CSR requires a normatively grounded, rather than strategic, framework. To construct a solid theoretical foundation for such a framework, this study draws on Young's (2004, 2006) notion of "social connection," which grew out of studies on the poor working conditions in sweatshops that were part of many textile brands' global supply chains. Young (2004) used the idea of social connection to underpin the argument that for companies it is a moral necessity to implement mechanisms that address issues related to political CSR. The argument is that corporate actors are structurally connected via their supply chains to forms of injustice for which they might be responsible only indirectly. Accordingly, actors whose business operations contribute to or benefit from structural processes of injustice along their supply chains and within their production networks *ought* to accept certain responsibilities and make an effort to remedy these injustices (Young, 2004, 2006). The ethical rationale underlying the social-connection approach fits well with the ethical motivation for societal engagement that is relatively common among SMEs (Jenkins, 2004; Spence, 2004). Establishing this link is important for conceptualizing the indirect connection among an SME, its supply chain, and a specific "political" problem and for recognizing the potential of SMEs for playing a role in political CSR.

Building on these ideas and integrating the "social-connection" logic into research on political CSR, this study contributes to the literature by establishing a conceptual framework for the involvement of SMEs in this type of CSR. This normative rationale acknowledges the prevalence of ethical rather than instrumental motives in SMEs and makes it possible to operationalize the differences between the largely formal management of political CSR in MNCs and the largely informal management of political CSR in SMEs. These differences reflect specific organizational characteristics and behavioral guiding principles. The framework developed differentiates between five stages and three dimensions of political CSR. The five stages—*defensive*, *compliance*, *managerial*, *strategic*, and *civil*—have been derived from Zadek's (2004) model of CSR-based organizational learning, which is consistent with the broader definition of political CSR. The three dimensions—*political CSR awareness*, *external political CSR*, and *internal political CSR*—are based on Young's (2004, 2006) idea of "social connection." The framework helps to justify the moral association between SMEs and regulatory gaps on a global scale. Collectively, the framework provides a conceptual starting point for empirical research that aims to assess and compare different SMEs and measure their progress in reducing regulatory gaps over time. Furthermore, this framework offers SMEs a practical guidance tool for managing political CSR, while the dimensions distinguished can serve as

reference points for actors who wish to engage specifically with SMEs, such as industry associations, the United Nations Global Compact (UNGC), NGOs, and civil society at large.

The article proceeds in four more sections as follows. In the next section, the initial observation that SMEs are absent from the debate on political CSR will be elaborated in greater detail. This elaboration will be followed by an overview of the specific organizational characteristics and behavioral guiding principles of SMEs, and of the external influences to which they are subject. Then, the conceptual framework of political CSR in SMEs that has been outlined above will be developed on the basis of this overview. The final section reflects on the article's contributions and acknowledges its limitations, as well as the opportunities it offers to future research.

Relative Neglect of SMEs in the Debate on Political CSR

Within the debate on political CSR, the role of SMEs that, like MNCs, are part of global supply chains and exposed to similar regulatory gaps has been largely neglected to date (Baden, Harwood, & Woodward, 2011; Spence, 2007). As a result, little is known about the potential political roles of SMEs and about how they can engage in dialogue with civil society. This omission calls for a more systematic approach to embedding SMEs in the discussion on political CSR and operationalizing this concept in a way that addresses such companies. Paradoxically, while most of the literature on political CSR focuses on MNCs, in fact SMEs represent the most common form of private business in nearly every country (Jenkins, 2009). Recent data (Wymenga et al., 2011) show that in the EU, the SME sector accounts on average for 67.1% of the total workforce (or about 75 million employees) and 99% of all registered companies (or some 23 million firms). Furthermore, during the last decade, SMEs contributed more than 50% to the yearly gross domestic product (GDP) of all the EU member states; similar figures have been reported for other industrialized countries (Wymenga et al., 2011).

In addition to the economic impact of the SME sector, there is evidence that many SMEs show an awareness of the social and environmental problems that result from their integration in global supply chains (Danish Federation of SMEs, 2009; Jorgensen & Knudsen, 2006; von Weltzien Hoivik & Melé, 2009). Quite a few SMEs engage in activities that can be characterized as political CSR: For instance, some establish the kind of semi-informal standards that are typically introduced by governments—such as promoting better working conditions in the distant factories of their suppliers or environmental standards that exceed the local legislation of the markets in which

they operate (Ciliberti, Pontrandolfo, & Scozzi, 2008; Danish Federation of SMEs, 2009; Pedersen, 2009). Even though such cases are not the norm but rather examples of occasional good practice, these cases indicate that assuming a political role is not beyond the scope of SMEs.

It is, however, difficult to structure, evaluate, and compare systematically political CSR among SMEs, because of the sporadic nature of the available evidence. Unavoidably, this article will use anecdotal evidence of such engagement as a point of reference. To construct the conceptual basis for a size-specific definition of the stages and dimensions of political CSR, the next section will review the largely informal organizational characteristics of SMEs and the principles that guide their behavior. As noted earlier, it is necessary to take into account these characteristics, which include structure and motives for engaging with CSR, to understand how SMEs engage in political CSR.

Managing Political CSR in SMEs

SMEs do not possess the same resources for managing political CSR as do MNCs. The latter manage political CSR by means of formal mechanisms, such as having executives and departments dedicated to CSR or extensive monitoring, auditing, and reporting schemes (Baumann-Pauly & Scherer, 2012). In contrast, SMEs must rely on a different, less formal approach to managing and assessing political CSR (Enderle, 2004; Moore & Spence, 2006; Morsing & Perrini, 2009; Spence, 2007; Spence, Schmidpeter, & Habisch, 2003). Two of the main barriers that have been identified in research on CSR more generally and which SMEs would face if they tried to implement political CSR as MNCs do are posed by a general lack of knowledge about CSR-related issues and by the fewer human and financial resources they possess (Russo & Tencati, 2009; Spence, 2007). Enderle (2004) has suggested that the CSR standards that were originally designed for large businesses and with economies of scale in mind may prove inappropriate for SMEs. These standards require of small firms often prohibitively high investments of time and money (Spence et al., 2003).

To develop a schema of CSR that is suitable for SMEs, a number of scholars have charted the organizational differences between SMEs and MNCs (Jenkins, 2004; Moore & Spence, 2006; Morsing & Perrini, 2009; Russo & Perrini, 2010; Spence, 2007). Apart from illustrating the typical differences between small and large firms, these comparisons also reflect a dynamic continuum from “micro” to “small,” “medium,” and “large” enterprises. For example, a company might be highly formalized in some ways (a characteristic of larger firms), but the influence of the owner–manager on certain

decisions might still be very strong (a characteristic of small firms). Below these differences are reviewed in relation to SME involvement in political CSR.

Organizational Characteristics, Behavioral Guiding Principles, and Visibility of Small Firms

In terms of organizational characteristics, most aspects of coordination (communication, workflows, interpersonal relationships, and power relationships) are rather informal in SMEs. This informality is reflected in looser control systems, less documentation, and fewer procedural hurdles. In contrast, MNCs typically possess highly formalized structures, hierarchies, rules of behavior, and management policies, which reflect a functional division of labor (Jenkins, 2004; Perrini, Russo, & Tencati, 2007; Russo & Perrini, 2010; Russo & Tencati, 2009). Whereas the structure of MNCs is often manifested in elaborate and comprehensive organization charts and standardized communication, in SMEs the employees are more likely to be guided by company culture, rather than by written or formally agreed rules, which may be altogether absent (Spence, 2007).

Furthermore, in SMEs, ethical behavior is more likely to be guided by the owner–manager’s and the employees’ personal integrity and moral beliefs (Jenkins, 2006; Spence & Lozano, 2000). While integrity may guide behavior also in MNCs to some extent (Valente & Crane, 2010), the main guiding principle is more likely compliance with formalized rules. In MNCs, various activities, including those related to political CSR, are often formulated as strategies and anchored in specific policies and management systems. By contrast, in SMEs—particularly in small family-owned firms—the values of the owner–manager play a crucial role and it is much more likely that the various activities follow the intuition of whoever is responsible in the company (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010). In the daily practice of SMEs, these values are more important than strategic considerations (Russo & Tencati, 2009; Spence, 2007). Thus, in SMEs, personal ethics are a much stronger point of reference than a top-down, formalized code of conduct or other policy documents and explicit management systems, which are common in MNCs but with which individual employees might identify only superficially (Jenkins, 2004).

Empirical evidence suggests that many SME owner–managers recognize the relevance of ethics in business (Russo & Tencati, 2009; Spence & Lozano, 2000). As argued above, their motives for accepting social and environmental responsibilities, including those related to political CSR, are therefore more likely to be ethical rather than instrumental. For instance, SME

owner–managers tend to place emphasis on long-term and fair relationships with suppliers and honest dealings with employees—both of which are central to managing political CSR. At the same time, owner–managers, who are often ultimately answerable for ethical issues related to the company, tend to be little inclined to use formal instruments systematically to foster or benchmark ethical behavior within their organization (Spence, 2004, 2007). In addition, in SMEs owner–managers are not exposed to shareholder influence as much as managers in MNCs and therefore have greater autonomy to apply personal values at their discretion (Berrone et al., 2010). For these reasons, ownership plays a critical role in shaping SME behavior.

The owner-managed firm, where ownership and control are the responsibility of the same person, is the most widespread organizational form among SMEs, so agency conflicts, which are common in MNCs, are less frequent in smaller companies (Russo & Perrini, 2010). On the whole, SMEs are less likely than MNCs to be driven by instrumental considerations to treat political CSR as a form of risk management or as a means of managing brand image or reputation (Jenkins, 2006). Generally speaking, SME owner–managers seem to be in business and to run a firm not merely for financial but for far more complex and to some extent socially motivated reasons (Spence & Rutherford, 2003).

A further characteristic of SMEs is that they are much less visible than the usually highly visible MNCs: They are significantly less present in the media, attract much less public attention, and are normally not as eager as most MNCs to change this lower visibility—for instance by means of extensive public relations campaigns (Tilley, 2000). Thus, while MNCs are often urged by stakeholders such as NGOs to disclose their activities (e.g., in relation to alleged exploitation of workers in global supply chains) to the general public in a transparent manner, SMEs tend to disclose information “on demand” to those stakeholders with whom they have direct dealings: most importantly, employees, suppliers, and customers. With respect to CSR-related issues, most SMEs tend to use informal reporting mechanisms based on face-to-face interaction with stakeholders, rather than formal mechanisms, such as annual CSR reports, which are common in MNCs. The so-called “socializing” process of accountability, whereby CSR activities are accounted for through day-to-day interaction, lateral exchange, and two-way communication, seems to be more appropriate for smaller firms (Roberts, 2001; Spence, 2004). Notably, this approach might even be advantageous for SMEs that engage in political CSR, because focused interaction with stakeholders allows them to build mutual trust and possibly avoid the potential backlash that many MNCs face when they become publicly involved in political CSR issues and, consequently, exposed to critical observers.

Table 1. Typical Organizational Differences Between SMEs and MNCs.

	SME	MNC
Organizational characteristics	Informal Culturally determined	Formal Structurally determined
Behavioral guiding principles	Integrity Intuition Personal ethics and morals	Compliance Strategy Codes of conduct
Visibility	Low visibility and external pressure	High visibility and external pressure

Note. SMEs = small- and medium-sized enterprises; MNCs = multinational corporations.

While both MNCs and SMEs face the need to engage in political CSR, the overview of these different characteristics shows that a firm's involvement varies according to size. For that reason, it is crucial to take these differences into account to operationalize political CSR in a way that focuses on SMEs. As already mentioned, formalized procedures (such as a code of conduct), policy-driven communication, explicit compliance with external standards, and instrumental motives (such as establishing the business case for political CSR) usually do not suit smaller firms. Table 1 summarizes the comparison of the SME and MNC characteristics discussed above.

Developing a Conceptual Framework for SMEs: The Stages and Dimensions of Political CSR

This section draws on the works of Zadek (2004) and Young (2004, 2006) to develop a normatively grounded conceptual framework for managing and assessing political CSR adequately in SMEs. In Table 2, the horizontal axis of the framework—visualized in the form of a matrix—demarcates the scope of political CSR and depicts the successive *stages* of increasing implementation of political CSR, whereas the vertical axis depicts the *dimensions* that represent different categories and the corresponding indicators of political CSR.

The Stages of Political CSR

Stage models represent a useful analytical instrument for classifying firm behavior linearly into distinct ideal-type categories and for evaluating progress over time (Kolk & Mauser, 2002; Maon, Lindgreen, & Swaen, 2010). While the different stage models found in the existing CSR literature often

Table 2. Conceptual Framework Operationalizing Political CSR in SMEs.

Dimensions	Stages			
	Defensive	Compliance	Managerial	Civil
Scope of political CSR	No political CSR	No political CSR	Elementary political CSR, selective rule implementation	Integrated political CSR, full rule implementation
Political CSR awareness				
Issue-awareness	No awareness of social responsibilities in general	Awareness of legislation and adherence to existing laws; no awareness of regulatory gaps	Awareness of some issue areas where regulatory gaps are most likely to appear	Full awareness and proactive promotion of issue-awareness among stakeholders and industry peers
Acknowledgment of social connection	No acknowledgment of connection along supply chain	Acknowledgment of connection along supply chain if established by legislation	Acknowledgment of connection along supply chain for some issue areas and regulatory gaps	Full acknowledgment of connection and active promotion of responsibility along the supply chain
External political CSR				
Collective action	No collective action at all	No collective action in relation to supply chain or to address regulatory gaps	Collective action with some suppliers and business partners in select issue areas	Collective action to address, develop, and promote political CSR agenda to others
Engagement in networks	No engagement in networks at all	No engagement in networks in relation to supply chain or to address regulatory gaps	Selective participation in networks to address specific issue areas	Active participation in rule development and promotion through engagement in several networks

(continued)

Table 2. (continued)

Dimensions	Stages				
	Defensive	Compliance	Managerial	Strategic	Civil
Internal political CSR					
OP&Ps	Political CSR not taken into account in OP&Ps	OP&Ps aim to ensure compliance with existing legislation but do not address regulatory gaps	Some OP&Ps address select issue areas	All or most OP&Ps address the full range of issue areas	All OP&Ps address the full range of issue areas; best practices are shared with stakeholders
Employee involvement	Employees are not involved in addressing (political) CSR	Employees are only expected to comply with existing legislation or are involved in non-political CSR	Some employees with specific job functions are involved in select issue areas of political CSR	Most employees involved in dealing with all issue areas of political CSR regardless of job function	Most employees proactively involved in shaping the political CSR agenda and promoting CSR in the company and among stakeholders
Transparency	No transparency or disclosure of any information	Disclosure of information that is required by legislation	Some information on the production process along the supply chain is disclosed to third parties	All or most information on the production process along the supply chain is disclosed to third parties	In addition, active promotion of measures for transparency to industry peers and stakeholders

Note. CSR = corporate social responsibility; SMEs = small- and medium-sized enterprises; OP&Ps = operational practices and procedures.

vary with regard to the number, definitions, and content of the successive stages they comprise, most models are built fundamentally on a similar logic and have comparable implications for organizations. Mirvis and Googins (2006) and Zadek (2004) provided overviews (see also Kolk & Mauser, 2002; Maon et al., 2010). In general, these stage models illustrate the progressive integration of societal concerns into organizational decision-making and management processes and thus provide a theoretically robust basis for delineating how SMEs in particular can manage political CSR.

While the progress from lower to higher engagement in political CSR can be generally depicted in stages in the case of both MNCs and SMEs, a different approach is required to evaluate the progression of SMEs. In particular, different indicators are needed to determine how SMEs advance from one stage to the next, how they can manage their progress, and how to identify the stage they have reached. In contrast, the actions of MNCs that relate to political CSR are easier to observe, as these larger companies are generally much more visible than SMEs. For example, it is easier to identify the stage of political CSR development that an MNC has reached by looking at its sustainability report, code of conduct, and other policy documents, or at its formal participation in multistakeholder initiatives such as the UNGC. In the case of SMEs, the absence of such measures does not necessarily imply that they have not reached a high level of political CSR engagement, but rather reflects the different nature of such companies. Consequently, to avoid misclassifying SMEs with respect to political CSR, it is necessary to assess them on the basis of informal practices and procedures, which are more difficult to measure.

In view of the above considerations, the conceptual framework presented in this article aims to propose a set of criteria that are appropriate for assessing SMEs. The different stages of political CSR that this framework includes are derived from a model of CSR-based organizational learning introduced by Zadek (2004). Drawing on a case study of sportswear manufacturer Nike (an MNC) to illustrate the increasing integration of CSR in core business activities, Zadek derived five ideal-type stages: the *defensive*, *compliance*, *managerial*, *strategic*, and *civil* stages. These five stages, he argued, correspond to the different levels to which (political) CSR activities become integrated into organizational processes (Zadek, 2004). This model is particularly suitable for tracking a company's involvement in political CSR, because it shows a progressive movement—from the defensive to the civil stage—toward the political responsibilities that emerge along a company's supply chain (e.g., dealing with child labor) and require collaboration with other actors on a global scale (Baumann-Pauly & Scherer, 2012). In the framework developed here, the later stages encompass the elements of earlier stages but

represent a more advanced approach to political CSR with regard to a particular dimension. However, while some of a company's activities may correspond to a more advanced stage in a particular dimension, other activities of the same company may correspond to a different stage in another dimension. For instance, a company may be at once at the civil stage and at a lower stage if it is actively involved in dialogue with stakeholders and industry peers to promote political CSR (see indicators of external political CSR below), but has only just begun to integrate internally select aspects of political CSR (e.g., social but not environmental aspects; see indicators of internal political CSR below). Overall, the delineation of the different stages shows companies the path they need to follow to engage in political CSR and at the same time distinguishes "conventional" CSR from political CSR.

The *managerial* stage marks the "start" of political CSR and reflects the elementary integration of certain aspects, such as labor standards, into a company's operations. The *strategic* stage, in turn, implies that a company has established a coherent political CSR agenda that seeks to cover all environmental and social aspects of political CSR. The term "strategic" refers to the prioritization and adjustment of processes that are significant in terms of their contribution to the company's core value creation or concern the company's most important suppliers. At the *civil* stage, the company perceives political CSR holistically and promotes it actively to third parties such as industry peers. The *defensive* and *compliance* stages have been included in the framework for reasons of completeness and may become relevant in the empirical assessment of actual SMEs. More precisely, SMEs in the *defensive* stage are not involved in political CSR, either because they deny responsibility for or are unaware of the corresponding issues, or because they consider themselves unable to tackle them. The *compliance* stage is problematic in situations where there is a complete or partial lack of social and environmental regulations that a company could follow. Arguably, compliance might be sufficient for SMEs operating in zones where adequate national regulation is both in place and enforced—for example, at their European home country. This condition, however, does not apply to companies with global supply chains that may extend to areas where regulatory governance is weak.

Dimensions of Political CSR

The three dimensions of the framework introduced above depict how political CSR is ideally understood and integrated in the organizational practices and processes of SMEs. These dimensions—awareness of issues relevant to political CSR, engaging in political CSR jointly with external parties, and internal implementation of political CSR measures—have been derived from

the concept of “task responsibilities” developed by Young (2006). The indicators of political CSR along these three dimensions reflect the largely informal organizational characteristics of SMEs, as well as their usually implicit behavioral guiding principles.

As already suggested, SMEs are much more likely to be ethically rather than instrumentally motivated to engage in political CSR. Accordingly, this study draws on Young’s philosophical concept of “social connection” (Young, 2004, 2006) to justify normatively why and to what extent SMEs are confronted with global regulatory gaps. The idea of social connection tackles philosophically the question of why and how actors should think about their responsibilities in relation to regulatory gaps that may cause chronic injustices to distant parties. As such, the idea provides an analytical basis for identifying the areas where it is difficult to establish a direct connection between the problem (e.g., low labor standards for supplier factory workers in developing countries) and companies based in industrialized economies. The social-connection approach further assumes that systematic disregard of environmental standards or the continuous exploitation of workers and violations of their rights are sources of chronic, not incidental, injustices that are linked to the systems and structures of globalized production networks (Young, 2006).

According to the logic of social connection, actors such as companies or consumers have to “acknowledge a responsibility with respect to the working conditions of distant workers in other countries, and to take actions to meet such responsibilities” (Young, 2004, p. 365). The argument that companies have a responsibility for the welfare of subcontracted workers in distant places implies a shift from understanding responsibility as a liability to viewing it as a “political” duty. Viewing responsibility as a liability means that the actors who are directly involved in causing an injustice plausibly can be held responsible for the consequences. Such actors may be the owners of sweatshops, but also governmental authorities that are unable or unwilling to enforce laws which protect human rights and labor standards. Thus, the notion of responsibility as liability allows companies that source from sweatshops to defend themselves by arguing, for instance, that they do not own the factories associated with poor working conditions or environmental standards (Young, 2004).

However, as the existence of sweatshops and environmentally harmful company practices attests, merely relying on those directly liable to eliminate many forms of such chronic injustices has not proven to be a successful tactic (Young, 2004). Political CSR theory argues that responsibility extends along a company’s supply chain (Scherer & Palazzo, 2011). In a similar vein, Young argues that responsibility stems from the structural connection rather than from the direct connection of an agent to a certain ethically relevant issue; in

other words, “the scope of an agent’s moral obligation extends to all those whom the agent assumes in conducting his or her activity” (Young, 2004, p. 371). Thus, any company’s actions partly depend on the actions of others. For instance, a European SME that procures raw materials or pre-products made under inhumane conditions and thus benefits from low prices is indirectly connected to the violation of workers’ rights. If a company relies on low-priced finished products to gain an edge over its competitors, it implicitly depends on the exploitation of workers who are paid below minimum wages. Young argues that no company can deny this objective connection to processes of structural injustice and that there is at least a moral, if not a legal, obligation of responsibility (Young, 2004). Therefore, those who participate in the creation or perpetuation of these structures need to recognize that their actions contribute to this injustice and to take responsibility for altering these structures so as to prevent or reduce injustices. The issue of responsibility in the context of global supply chains thus demands collective action and democratic deliberation to change existing processes and institutions that foster injustice (Scherer & Palazzo, 2011; Young, 2006).

The social-connection approach provides a suitable basis for the operationalization of political CSR in the context of SMEs, especially as the connection to structural injustice is independent of a firm’s size or scope of operations in the first place. For instance, European SMEs that manufacture hardware (such as cast-iron or copper goods) and source their raw materials from mines in developing countries may be connected to violations of human rights or labor rights, as well as to environmental exploitation. Thus, a company’s social connection to and political responsibility for a systemic injustice depend on the extent to which company’s value creation is part of global supply chains. On the basis of that argument, even a small shop that, for instance, buys and sells low-priced clothing from an unknown source in an emerging market may be as much socially connected to and benefit as much from the exploitation of workers as a multinational sports-equipment wholesaler sourcing goods from the same factory. Collectively, the notion of social connection implies that, in the first place, any actor or company is accountable for a particular social or environmental injustice that includes the exploitation of a regulatory gap. Nevertheless, to operationalize adequate responses to issues of political CSR, it is necessary to take into account the organizational differences between SMEs and MNCs.

Task Responsibilities and the Three Dimensions of Political CSR

In the context of SMEs and their practices, to operationalize political CSR effectively, it is important to define its limits. To that end, this study will draw

on Young's (2004) understanding of "task responsibilities," which depend on an actor's institutional position and capabilities. More precisely, Young proposed that the political responsibility of specific actors and the guidelines for their behavior should be systematized according to three parameters: "connection," "power," and "privilege." These parameters correspond to the three dimensions of political CSR that are distinguished in the framework; namely, *political CSR awareness*, *external political CSR*, and *internal political CSR*.

The first dimension of "political CSR awareness" is based on Young's conceptualization of "connection" and depicts the overall scope of political CSR. As Young (2004) explained, "moral agents have responsibilities in relation to any and all of those whose participation in institutions one assumes by one's own actions" (p. 385). Accordingly, within the framework proposed here, the "connection" parameter reflects an SME's awareness of the various issue areas of political CSR. The 10 principles of the UNGC, one of the largest multistakeholder CSR initiatives worldwide, provide a fairly good picture of the issue areas that political CSR encompasses in practice (Gilbert & Behnam, 2013; Rasche, Waddock, & McIntosh, 2012). These principles serve as the moral compass that guides companies and point out the main areas in which regulatory gaps can occur and to which a company may be socially connected through its supply chain. These 10 principles pertain mainly to human rights, labor norms (particularly child and forced labor), and environmental responsibility; and encourage companies to work against corruption (see <http://www.unglobalcompact.org>).

A company might be associated with several, possibly too many, instances of injustice. For that reason, it is necessary for companies to prioritize those regulatory gaps with which they are directly associated (Young, 2004). In the case of SMEs, political CSR needs to be evaluated along the company's supply chain in relation to activities that are directly connected to its core business operations and value creation. These premises define the connection parameter and form the conceptual basis of the first dimension of the framework: *political CSR awareness*. This dimension reflects the extent to which an SME is aware of pressing social issues and acknowledges a social connection to, and thus political responsibility for, regulatory gaps along its supply chain. This dimension implies two operational indicators: *issue-awareness* and *social-connection acknowledgment*.

The second dimension, *external political CSR*, is based on Young's (2004) conceptualization of "power": Actors "carry different degrees of potential or actual power or influence over the processes that produce the outcomes" (p. 386). Young (2004) argued that this variation requires that people "organize collectively to regulate or transform some aspects of their shared social conditions, along with the communicative activities in which they try to persuade

one another to join such collective actions or decide what direction they wish to take” (p. 377). With regard to SMEs, Young’s conceptualization of power requires collective effort by different actors to aggregate the limited influence of individual SMEs and to help them coordinate their activities in political CSR. Because this power must be shared among the actors that are involved in “filling” regulatory gaps, SMEs need to work together with civil society organizations that represent the interests of parties afflicted by specific activities and potential injustices related to a company’s supply chain. This cooperation mitigates to some extent the “democratic deficit” (Scherer & Palazzo, 2011) that arises when private businesses take over quasi-governmental roles and design new rules or behavioral norms that modify organizational processes, with the aim of filling a regulatory gap (Palazzo & Scherer, 2006). In sum, the dimension of external political CSR reflects the extent to which SMEs engage in political CSR jointly with external parties, such as their suppliers or other industry peers, as well as the manner in which they become involved in civil society networks that include actors such as fair-trade associations or NGOs. The two operational indicators comprising this dimension are *collective action* and *engagement in networks*.

The third dimension, *internal political CSR*, is based on Young’s (2004, 2006) conceptualization of “privilege”: Actors who benefit from structural inequalities have the moral duty to mobilize their organizational resources to change these circumstances. In SMEs, the informal habits and routines of employees affect the manner in which organizational resources are deployed for CSR-related tasks. Furthermore, an SME’s practices and procedures reflect the scope of that company’s political CSR. In the context of “privilege,” Young (2006) emphasized that accountability is a key element of political CSR. Accountability requires, among other things, companies to disclose their activities to those actors with whom they share political responsibility. Internal political CSR, which is based on “privilege,” thus reflects the extent to which SMEs apply measures of political CSR internally, how they implement the measures they have developed collaboratively with other parties, and the extent to which they are willing to disclose information to third parties. This dimension comprises three operational indicators: *operational practices and procedures*, *employee involvement*, and *transparency*.

Connecting Stages and Dimensions

In this section, the three dimensions and seven operational indicators of the framework will be discussed in detail and illustrated with examples of SME practices that correspond to the different stages of political CSR.

Dimension 1: Political CSR Awareness

Political CSR awareness mirrors the extent to which an SME is aware of the issue areas in which regulatory gaps are likely to emerge—human rights, labor norms, environmental standards, and anti-corruption measures—the areas covered by the 10 UNGC principles. Accordingly, the first indicator in this dimension of the framework is termed *issue-awareness*. The following quote by the owner–manager of a Danish company that trades in wholesale arts-and-crafts articles illustrates how the 10 principles of the UNGC made company members more aware of the potential regulatory gaps that could pertain to the company’s business operations: “The Global Compact has made us aware of the diversity of issues affecting us when we produce in developing countries” (Danish Federation of SMEs, 2009, p. 18).

Several studies suggest that, compared with larger companies, SMEs have an advantage when it comes to spreading awareness of specific issues internally (Jenkins, 2004; Lepoutre & Heene, 2006; Russo & Tencati, 2009). In SMEs, managers and employees are more likely to be aware of many of their company’s practices and operations, as employees responsible for procurement or sales, and so on, often also deal with CSR issues related to their job function (Jenkins, 2004). In contrast, in MNCs, “few participants are constantly involved or care about every dimension of the organization’s operations” (Pfeffer, 1981, cited in Orton & Weick, 1990, p. 37). Personal and physical proximity and a relatively small number of employees are also factors that facilitate communication between owner–managers and employees (Spence & Lozano, 2000). Thus, in SMEs, awareness of political responsibility and what it entails is more likely to spread to individual employees via personal and direct involvement and interaction, rather than via the distribution of leaflets and brochures, or the obligatory use of CSR e-learning tools, which are common practices in MNCs (Baumann-Pauly & Scherer, 2012).

The second indicator, *social-connection acknowledgment*, relates to the degree to which an SME, and especially its owner–manager, acknowledges the social connection between the company’s own business, including its supply-chain activities, and specific instances of potential injustice. Such a social connection could exist between, for instance, a small boutique selling apparel and the working conditions in the supplier factories in distant countries. As for SMEs that acknowledge a responsibility to society and base this perception on personal ethics (Spence, 2004), it seems easier for them than for MNCs to acknowledge also a social connection between the company and its supply chain, based on the “moral,” rather than merely legal, obligation to engage in political CSR (Young, 2004).

For SMEs, both issue-awareness and acknowledgment of a social connection are not likely to be manifested in formal statements, such as a code of conduct, which is common in MNCs; on the contrary, they are likely to be part of the mind-set of the owner–manager and the SME’s employees and to be manifested informally in their “way of doing things.” As a result, it is not possible to assess easily whether a company is aware of CSR-related issues or of having a “social connection” by screening websites for official statements, for example, which are likely to be available in the case of MNCs. A more appropriate way of assessing this kind of awareness in SMEs would be through close and trust-building interaction, such as interviews, with a specific company and its owner–manager.

An SME can be said to enter the *managerial* stage of political CSR as soon as it becomes aware that trading on the global marketplace means that it may be exposed to regulatory gaps and acknowledges that it is connected structurally to problematic issues—in the case of the apparel store mentioned earlier, to the exploitation of workers in factories. The small-sized Swiss company Remei AG, for example, a wholesaler of organic cotton and related products, demonstrates an advanced degree of awareness of issues related to political CSR and of its social connection to its global suppliers, in particular with regard to working conditions. The company sources directly from small farmers in cotton-producing countries and pays a premium of several percent above the world-market price to ensure that fair labor standards and above-minimum wages apply (<http://www.remei.ch>). As Remei AG also ensures that its core value creation processes are compatible with environmental sustainability and human rights at the sites where it sources raw materials, it can be said to have reached the *strategic stage* of political CSR.

An SME has reached the *civil* stage once it acknowledges that political CSR involves not only implementing rules defined by others but also promoting and participating actively in the development of political CSR-related rules and guidelines. This stage may include actively participating in initiatives like the UNGC or the Fair Wear Foundation (FWF), discussed further below, as well as industry associations, to encourage others to acknowledge their own possible social connections. Thus, awareness can be considered a first step toward managing political CSR internally and externally together with other actors, as will be illustrated below.

Dimension 2: External Political CSR

External political CSR mirrors the extent to which an SME addresses political CSR jointly with other actors. This dimension comprises two indicators. *Collective action* refers to the joint efforts of an SME and its suppliers or of

several SMEs—together with industry peers—whose suppliers or supply chains have similar characteristics. For instance, in the outdoor industry, several SMEs that source textile products from developing countries, where labor standards are often low, have formed a “sustainability working group” to address issues that they felt incapable of solving alone (<http://www.outdoorindustry.org>). In contrast, *engagement in networks* refers to the engagement of SMEs with non-industry third parties; for instance, participation in multistakeholder initiatives or collaboration with civil society organizations such as NGOs (Palazzo & Scherer, 2006).

Regarding the first indicator, several studies suggest that the owner–managers of SMEs tend to be more willing to accept that their own company has a responsibility for CSR-related issues that are associated with its operations if they perceive this responsibility as part of collective action (Ludevid-Anglada, 2000; Spence, Jeurissen, & Rutherford, 2000). Collective efforts may involve one or more SMEs and their suppliers, as well as other direct business partners, all of whom engage jointly in political CSR activities. In SMEs, informal partnerships are often based on personal ties between the company’s owner–manager and the owner–managers of its (usually few) supplier factories or those of peer companies in the same industry. With regard to the latter, Spence (2007) noted that, in contrast to MNCs, among many SMEs competitors from the same sector are often seen more as industry colleagues than as rivals, which facilitates cooperation in political CSR. For instance, if several SMEs join procurement partnerships, they should be able to put greater pressure on their suppliers, so that they follow certain practices of political CSR, such as paying minimum wages to their workers. Also, if SMEs enter long-term partnerships with their suppliers, they signal both a commitment to work with these suppliers to improve certain issues and that they are prepared to buy their products at higher prices in exchange for political CSR-related improvements (Ciliberti et al., 2008). In this regard, SMEs seem to have an advantage over MNCs, because their ethical motives for engaging in political CSR provide a better basis for building trustful relationships with select partners than the predominantly instrumental motives of MNCs. This view reflects Gilbert and Behnam’s (2013) argument that trust is essential for stimulating collaboration and the voluntary exchange of information in networks.

An SME can be said to enter the *managerial stage* of collective action when it tackles a particular issue area of political CSR (e.g., child labor in the developing country from which the SME’s products are sourced) together with one or more of its suppliers and direct business partners. An example of a company that has reached the managerial stage is an SME in the Danish textile sector that decided to enter into a long-term partnership with other

SMEs in the same industry to jointly address the problem of child labor. This company figured out that dealing with some issues, such as making clean drinking water available to factory workers, was a relatively easy task. Eradicating child labor, in contrast, appeared to be much more complex, and the company decided that it would have to partner with other actors to find a feasible and legitimate solution (Danish Federation of SMEs, 2009).

At the *strategic stage*, an SME partners with industry peers in the home market and with its suppliers to address collectively the issue areas of political CSR that are reflected in the 10 UNGC principles. At the *civil stage*, SMEs promote participation in the implementation of political CSR across the industry or industries in which they are involved and diffuse their own management expertise in CSR practices. At this stage, an SME would also seek to promote its own approach as an example for other industries to follow and, in addition to applying existing practices, it would engage with industry peers and civil society to jointly establish new solutions.

The second indicator of external political CSR, *engagement in networks*—such as multistakeholder initiatives or associations like chambers of commerce—plays a critical role in fostering collective engagement among SMEs (Enderle, 2004; Murillo & Lozano, 2009). For instance, an increasing number of SMEs join the FWF, a multistakeholder initiative with the goal to promote better working conditions in the textile industry. The SMEs and stakeholders affiliated to the FWF work jointly to disseminate and exchange knowledge on responsible practices and to set agendas for tackling CSR-related issues. Other SMEs, such as Remei AG, whose main principle, as mentioned earlier, is to manufacture its products using only fair-trade materials “in a controlled and transparent chain of production” (<http://www.remei.ch/en/biore-philosophy/>), have initiated informal partnerships with local NGOs in the developing countries where they source their raw materials.

An SME reaches the *managerial stage* of engagement in networks when it participates in a network (such as the FWF) that is concerned with a particular issue area (such as working conditions). At the *strategic stage*, an SME engages more actively in a number of networks to cover the whole range of issue areas of political CSR. For instance, it might participate actively in the UNGC, the FWF, and in a network that focuses on environmental challenges, such as the Forest Stewardship Council (FSC). At the *civil stage*, an SME will normally take the initiative within these networks to promote participation among its industry peers and the development of industry-specific rules. For example, Swiss textile retailer Switcher ensures that its suppliers adhere to the certification criteria of the FWF and that working conditions at the factories of its suppliers meet CSR standards; in addition, it actively participates in the FWF and engages in collective dialogue with civil society stakeholders

and promotes the further development of this multistakeholder initiative (<http://www.switcher.ch>; <http://www.fairwear.org>). As a manager, at a children's clothing manufacturing company that is based in Denmark but sources from various developing countries, says characteristically, "dialogue with other companies on these sensitive issues is important to us. We cannot meet all these challenges on our own. This is why we have joined the UNGC" (Danish Federation of SMEs, 2009, p. 34). In the same vein, a jewelry manufacturer whose raw materials are sourced from Africa points out that "if we were to start all over again, we would get involved in relevant networks and learn from the experience of others" (Danish Federation of SMEs, 2009, p. 30). While MNCs are more likely to join such networks to build their reputation and signal commitment to their stakeholders, SMEs seem more inclined to join to learn and improve their existing practices. Thus, networks such as the UNGC must be careful not to overburden SMEs with excessive reporting requirements and at the same time to address the needs of SMEs with tailored guidance tools.

Dimension 3: Internal Political CSR

Internal political CSR refers to the integration of political CSR in organizational habits, routines, and operational practices. More specifically, the indicator *operational practices and procedures* reflects how specific aspects of political CSR have been integrated—as practical measures—in functional activities such as procurement, production, or marketing. The indicator *employee involvement* represents the degree of employee participation in decision making that concerns political CSR, while the indicator *transparency* reflects the degree of openness in the disclosure of information on internal business conduct to external parties. An important point is that, to assess adequately these indicators in SMEs, it is necessary to focus on practices that may have not been laid down in formal policies or behavioral guidelines that are made officially available to every employee within a company, as is commonly the case in MNCs.

The next indicator, *operational practices and procedures*, refers to the internal mechanisms through which an SME exercises political CSR in those of its actual production or value creation processes—such as manufacturing, marketing, procurement, or sales—that have a direct impact on the supply chain. Integrating political CSR in procurement activities, for instance, would require a company to take into account certain aspects of political CSR when it comes to select new raw materials, suppliers, or production methods. To that end, like many MNCs, several SMEs refer to common industry standards to regulate socially and environmentally responsible business conduct, such

as SA8000 (Social Accountability International Standard) or ISO14000 (International Organization for Standardization Standard), respectively, and require that suppliers also adhere to them. In the area of marketing, SMEs can communicate such policies to their customers and thus raise customer awareness.

Again, in contrast to MNCs, in SMEs such operational processes are not necessarily written down or formalized according to certain standards, but take the form of habits and routines that become implicitly embedded in the company culture. Informal interaction and learning seem intuitively easier for SMEs because the owner–manager and the employees are likely to communicate on a daily basis with each other, as well as with many immediate stakeholders; moreover, employees are likely to be more closely involved in everyday decision making (Murillo & Lozano, 2009). Furthermore, SMEs have an advantage over MNCs in that CSR is unlikely to be handled by a single department that is detached from the organization's core business activities. In MNCs, the department that is responsible for CSR is usually located near the headquarters, while the functional units that actually handle political CSR—such as the procurement unit—tend to be located in distant sub-divisions or even subsidiaries (Baumann-Pauly & Scherer, 2012).

At the *managerial* stage, an SME may typically begin by examining which parts of its operations are more likely to play a role in structural injustices or be exposed to regulatory gaps. In the next step, the company can begin to integrate specific issues of political CSR into its daily management. For example, an SME might seek to ensure that none of the raw materials it purchases is associated with child labor; in the same vein, it could start sourcing raw materials that are certified in accordance with sustainability standards, such as the FSC, and thus seek to ensure a level of environmental responsibility that exceeds local legal requirements. Monnalisa, a children's clothing manufacturer based in Italy, states that both its suppliers and sub-suppliers are expected to be certified according to the SA8000 social standard to enter business relationships with the company (<http://www.monnalisa.eu>). While such actions and initiatives may be closely linked to an SME's core business operations, at the *managerial* stage SMEs do not have a coherent agenda that includes other aspects of political CSR. For instance, an SME may focus on environmental aspects but not on social ones, or the reverse (Mirvis & Googins, 2006). In other words, only certain elements of political CSR are applied and only in certain parts of the supply chain and of the SME's own operations. Finally, at the *managerial* stage, SMEs are often expected to incorporate into their operations some of the policies of upstream buyers, such as MNCs, which may require their SME suppliers and sub-suppliers to respect certain environmental standards.

At the *strategic* stage, SMEs embrace a comprehensive concept of political CSR and seek to integrate it fully into their supply chains and core business operations (Mirvis & Googins, 2006) to ensure that the exploitation of regulatory gaps is minimized. For example, an SME in the textile industry that has already established measures against child labor would additionally seek to address other areas where social and environmental malpractice might occur by integrating the respective practices of political CSR into its business processes and supply-chain activities. The Swiss wholesaler of organic cotton clothing Remei AG, which was mentioned earlier, provides an example of *strategic* political CSR in operational practices and procedures: In an effort to ensure fully that social and environmental standards are adhered to in the entire life cycle of its products, this SME has based all of its business and production processes on fair-trade and organic products (<http://www.remei.ch>).

Moving on to the *civil* stage, an SME would not only apply political CSR practices but also actively seek to promote them to industry peers and suppliers and to participate in the development of new relevant practices. For instance, Memo AG, a German medium-sized wholesaler of office supplies, has adopted an integrated approach to social and environmental responsibility and extends its efforts to the supply chain. Memo expects suppliers to conform to both ISO14001 and SA8000, while raw materials need to be FSC certified or to have a Fairtrade label (<http://www.fairtrade.net>). In addition to its efforts to ensure adherence to social and environmental standards that local legislation cannot provide in the countries where Memo's products are sourced, the company engages regularly in dialogue with stakeholders (Memo AG Sustainability Report, 2012).

The next indicator of internal political CSR, *employee involvement*, addresses the extent to which employees participate in informal decision making that concerns CSR issues. This kind of involvement, which is typical of SMEs, aims to increase the internal acceptance of company decisions. Another important consequence of employee involvement is that political CSR awareness is not restricted to the owner-manager but extends to other employees with different job functions, who participate in shaping the political CSR agenda of the company. Arguably, for political CSR to be applied in practice and become integrated in an SME's organizational procedures, it is necessary that the employees responsible for CSR-related activities are involved in decisions that affect these activities. In MNCs that are functionally very specialized, decision making in relation to CSR issues is likely to be delegated to CSR managers or special (ethics) committees that are often located at the company's headquarters. By contrast, in SMEs, such high specialization is not common and employees often handle a broader range of issues, which may

include marketing, procurement, and sales. Also, compared with the employees of the functionally dispersed MNCs, in SMEs employees are more likely to communicate directly and face to face with other colleagues who handle related tasks (Perrini et al., 2007). Thus, in an SME, an individual employee is likely to have a better overview of the company's operations, including the supply chain. In sum, in SMEs, a large proportion of employees are aware of most of the activities that are conducted in the organization. On the contrary, in highly specialized MNCs, activities such as supply-chain management are usually handled in a particular department that is more isolated from other departments than it would be in an SME (Baumann-Pauly & Scherer, 2012). As noted earlier, SMEs also tend to have a small number of suppliers, with whom they maintain long-term relationships based on mutual trust (Ciliberti et al., 2008; Pedersen, 2009). As a result, the owner-managers and at least some employees are likely to know personally their suppliers and their representatives, whereas in MNCs, whose suppliers may be several thousand, contacts are more likely to be impersonal.

At the *managerial* stage, an SME involves employees with specific job functions (for instance, the procurement manager) in decision making related to political CSR. In the *strategic* stage, the SME seeks to involve the majority of its employees in decision making that is relevant to political CSR; that is, involvement is not restricted to few employees in specific job functions, but extended to staff in other areas along the entire production process, such as logistics, marketing, and so on. At that stage, most employees are involved in dealing with political CSR challenges and most job functions include going beyond obeying existing laws and regulations. At the *civil* stage, SME employees are encouraged to participate proactively in the development of new procedures related to political CSR and to "spread the word" about political CSR both within the company and among stakeholders.

The final indicator, *transparency*, refers to the extent to which an SME discloses to third parties information about its achievements or progress in relation to political CSR. Transparent disclosure, especially about collective activities of political CSR, as mentioned earlier, is a key aspect of building trust and long-term relationships (Parker, 2002). In contrast to MNCs, the form of information disclosure that seems most appropriate for SMEs is what has been called the "socializing" process of accountability, which means that CSR activities are accounted for through informal reporting mechanisms and on demand (Jenkins, 2009; Roberts, 1996). These include day-to-day interaction, lateral exchange, and two-way communication among company employees, as well as between the company and its business partners and other stakeholders (Roberts, 2001; Spence, 2004). Several studies suggest that, given that SME owner-managers are intrinsically motivated to engage

in political CSR (Jenkins, 2009; Spence, 2004; von Weltzien Hoivik & Melé, 2009), a mismatch between actual activities and disclosed company information is much less likely in SMEs than in MNCs. Consequently, practices such as “greenwashing” (i.e., a company’s attempt to create a misleading impression of responsibility that does not correspond to its actual practices) are much less likely in SMEs, and reports can be expected to be largely authentic. Finally, because of the informal nature of reporting mechanisms in SMEs, the transparency of a company should not be judged by the degree of information that is publicly disclosed via websites or standardized reports (for instance, in accordance with the guidelines of the Global Reporting Initiative [GRI]).

At the *managerial* stage, an SME focuses on a specific issue area of political CSR and discloses relevant information to third parties. For instance, Moulin Routy, a small French cooperative that manufactures toys in China and Romania, communicated to its stakeholders that it had recruited a trusted intermediary on the production sites to guarantee that working conditions and pay were in line with ethical principles among its foreign suppliers (European Commission, 2003b). While this procedure may not be as rigorous as an external third-party audit, it ensures that the management of the supply chain is subject to the internal democratic control of the cooperative’s members. At the *strategic* stage, an SME shares willingly all such practices with its partners in collective actions that promote CSR. At this stage, transparency means disclosing what the company has achieved and also did not achieve, and what impact its actions have had on the entire supply chain. Two notable real-life examples, Remei AG and Switcher—both SMEs in the Swiss textile industry (see Lorenz, Gentile, & Wehner, 2013)—even disclose information about their supply chains, such as the exact locations where materials have been produced and what impact their products have on working conditions or water quality (<http://www.remei.ch>; <http://www.switcher.ch>). Their attitude also reflects the *civil* stage of political CSR transparency, because these two companies encourage their industry peers to learn from their approach and actively inform customers that they can monitor their supply chains online (<http://www.respect-code.org>).

Discussion and Conclusion

The aim of this article was to develop the normative argument that SMEs should become involved in political CSR and to explain instrumentally how they could do so. This effort was prompted by the fact that SMEs with global supply chains are connected to regulatory gaps that lead to low or insufficiently enforced social and environmental standards in certain countries and, to address these gaps, SMEs have to assume a political role. The observation

that the motives of SMEs for engaging in CSR are much less likely to be instrumental than those of MNCs provided the basis for developing a normative rationale derived from the logic of social connection, and a framework for managing and assessing political CSR in this type of company. This framework reflects the predominantly informal organizational characteristics of SMEs and the implicit principles that guide their behavior, both of which contrast with the mostly formalized structures and behavior of MNCs.

In terms of theoretical implications, this framework shows how the concept of political CSR can be translated into concrete organizational practices that extend to an SME's supply chain—an area that has been rarely addressed in extant research (Morsing & Perrini, 2009; Pedersen, 2009; Russo & Perrini, 2010; Spence, 2007). Furthermore, the article demonstrates that accepting such political responsibilities is not limited to large firms and shows how SMEs can address political CSR via informal mechanisms that are more suitable to their structure and nature than the standardized management schemes (such as codes of conduct and specific policy documents) that are common in MNCs (Baumann-Pauly & Scherer, 2012). Finally, acknowledging that applying indicators developed for MNCs to assess CSR in SMEs is not appropriate, the framework presents a set of indicators tailored to the particularities of SMEs.

More generally, this framework attempts to integrate SMEs into the debate on political CSR and to extend the efforts of scholars who have called for developing a CSR agenda tailored to SMEs to provide more accurate means of assessing their CSR engagement and to acknowledge fully their problem-solving potential (Jenkins, 2004, 2006; Morsing & Perrini, 2009; Spence, 2007, 2014; Udayasankar, 2008). The framework also extends existing SME-specific frameworks, which, however, do not take into account the political dimension of CSR and do not show how issues that appear along globalized supply chains can be adequately addressed (Jenkins, 2006; Murillo & Lozano, 2009; Ortiz Avram & Kühne, 2008; Perrini et al., 2007). Notably, this article puts forward an ideal conceptualization of political CSR in SMEs and does not assume that all SMEs “out there” are necessarily aware, willing, or able to implement political CSR according to the proposed framework or that most SMEs can reach the highest *civil* stage on all indicators. Nevertheless, empirical evidence shows that, in principle, it is feasible for SMEs to reach all stages of the framework in all dimensions.

Inevitably, this framework has certain limitations. First, the anecdotal evidence that was used to illustrate empirically the framework and provide substance to the article's theoretical claims is based mostly on cases of political CSR among European SMEs. Also, because the need to engage in political

CSR is linked to conditions that arise along an SME's global supply chain, the framework is limited to SMEs that have such a supply chain and may not apply to SMEs that, for instance, are based in developing countries and confronted with issues of political CSR directly in their own operations. Nevertheless, while future research should take this limitation into account, the dimensions of the framework, such as general issue-awareness and collaboration with partners, are relevant to all SMEs and can thus serve as a starting point for developing this framework further. Another limitation is that this study did not look at social enterprises (for a recent overview, see Dacin et al., 2010), but focused on literature discussing the traits of "conventional" SMEs. Addressing the differences between the latter group and non-profit as well as for-profit social enterprises and examining how these might approach political CSR differently is a topic worthy of further investigation.

Overall, the proposed framework provides a conceptual starting point for future research on SMEs and political CSR. More specifically, the framework can inform qualitative case-based analyses that seek to determine the stage an SME has reached, to compare different companies, and to measure an SME's progress over time. Furthermore, the arguments raised here provide opportunities for comparative research on political CSR in small versus large firms (see e.g., Baumann-Pauly et al., 2013). In this context, one important question worth investigating is to what extent the small size and limited financial or human resources of SMEs imply that their ability to engage in political CSR is inferior to that of MNCs, which are still considered the point of reference for political CSR management in the relevant literature.

Another important question open to future research is what leads SMEs to move from one stage to the next. The objective of this study was to illustrate an ideal path of political CSR for SMEs, and to show what actions SMEs need to take when they assume a political role. Future research should investigate what prompts certain SMEs to engage in political CSR more comprehensively than others, what leads them to advance from one stage to another, and why some SMEs may be better able to manage political CSR than others. For instance, taking a dynamic-capabilities perspective (Aragón-Correa, Hurtado-Torres, Sharma, & García-Morales, 2008; Teece, Pisano, & Shuen, 1997) seems a promising way of identifying which resources SMEs need to possess, develop, and deploy to progress through the stages of political CSR. In this sense, the various stages should be viewed as a dynamic and continuous process—without clear stopovers or breaks—that may evolve differently in different dimensions (Maon et al., 2010). Also, not all SMEs proceed through each successive stage or necessarily start at the lowest and constantly aim to reach the highest one; some may skip stages or even retreat to lower stages (e.g., by abandoning some practices), depending on the triggers or constraints they are exposed to.

In terms of practical implications, the framework proposes to SMEs a theoretically robust and feasible way of managing political CSR. Internally, SMEs could use the framework as a guidance tool to develop their own ways of managing political CSR. From an external perspective, industry associations, such as chambers of commerce, or NGOs may refer to the framework's dimensions to find entry points for promoting the involvement of SMEs in political CSR. The framework can also serve as a basis for critically assessing SME engagement in political CSR; for instance, by conducting benchmarking studies in various sectors, such as those conducted by the Swiss NGO Berne Declaration (<http://www.evb.ch>). Finally, initiatives such as the UNGC can refer to this framework to develop tailored guidance tools that could help integrate SMEs more effectively into the CSR agenda and to overcome the fallacies of large-firm or one-size-fits-all approaches, which may, in fact, discourage SMEs from engaging in socially and environmentally responsible behavior.

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